



Texas Department of Insurance

CONSUMER ALERT

Consumer Protection – Public Education, Mail Code 111-1A
333 Guadalupe Street • P. O. Box 149091, Austin, Texas 78714-9091
Consumer Help Line: **1-800-252-3439** • Visit our website: **www.tdi.state.tx.us**

Forced Placed Coverage

When you take out a loan to buy a vehicle, house, or commercial property, your lender will require that you buy and keep insurance on the property for the term of the loan. If you cancel or lose these insurance coverages, your lender will buy an insurance policy – often called forced placed coverage – and add the cost to your loan payment. This coverage is expensive and may only protect the lender. You can avoid this by keeping your insurance active and in good standing.

How Forced Placed Coverage Works

Lenders will buy an insurance policy if you don't maintain insurance of your own on the property or vehicle you are purchasing. It is in the finance companies best interest to have some form of insurance – either yours or theirs – on the property to protect them financially if it is damaged or destroyed. The loan documents you signed require you to have coverage, but the lender will force place coverage as a last resort. The lender should notify you within 30 days of force placing coverage.

Be aware that if your lender buys an insurance policy, your interest in the property may not be covered. For example, if your home is flooded, the lender's force placed coverage will only pay to repair the structure but will not pay to replace your personal property.

There are three instances in which a lender may force place coverage:

- You have insurance, but you haven't shown your lender written proof.
- You don't have insurance because you canceled the policy or the insurance company notified you that your policy is being canceled or nonrenewed.
- You have insurance but the coverage amounts or type of coverage aren't what you and the lender agreed you would buy.

Types of Coverages that Could be Force Placed

- Auto collision and comprehensive coverages
- Property insurance, including residential and commercial property
- Building ordinance coverage
- Wind and hail insurance (most lenders require this in 14 coastal counties and parts of Harris County on Galveston Bay)
- Flood insurance in high-risk areas

Protect Yourself

Take a few precautions to avoid force placed coverage:

- Maintain adequate coverage on your property as required by your lender.

- Send written proof of insurance to your lender when you buy insurance or any other time they ask for proof of coverage.
- Watch your bank statements for possible duplicate insurance payments to ensure coverage wasn't force placed without your knowledge.
- Understand your responsibilities in the loan agreement, including the deadline to buy insurance.
- Contact your lender as soon as possible if your policy lapses or is canceled or nonrenewed.
- If a lender force placed coverage on your property, look for your own insurance policy as soon as possible. This will save you money. You can use TDI's free website www.HelpInsure.com to find property insurance.

For More Information or Assistance

TDI may be able to secure a refund if your lender force placed a policy while your policy was in force.

For answers to general insurance questions or for information on filing an insurance-related complaint, call the ***Consumer Help Line*** between 8 a.m. and 5 p.m., Central time, Monday-Friday, or visit our website.

1-800-252-3439

463-6515 in Austin

www.tdi.state.tx.us